**Calendar No. 590**

| 99TH CONGRESS<br>*2d Session* | SENATE | REPORT<br>99-271 |
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# EXPORT ADMINISTRATION AND EXPORT PROMOTION ACTIVITIES OF THE DEPARTMENT OF COMMERCE

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## REPORT

OF THE

## COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

## S. 2245

MARCH 26 (legislative day, MARCH 18), 1986.—Ordered to be printed

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# EXPORT ADMINISTRATION AND EXPORT PROMOTION ACTIVITIES OF THE DEPARTMENT OF COMMERCE

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Mr. HEINZ, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

## REPORT

[To accompany S. 2245]

### HISTORY OF THE LEGISLATION

On February 18, 1986, Senators Garn and Heinz introduced S. 2076, legislation to authorize appropriations for the export administration and export promotion activities of the Department of Commerce for fiscal years 1987 and 1988. On the following day, February 19, 1986, a legislative hearing was held by the full Committee on Banking, Housing, and Urban Affairs. Testimony was received from Commerce Secretary Malcolm Baldrige, as well as from private sector witnesses.

The Committee met in open session on March 13, 1986. After adopting one amendment to S. 2076 the Committee ordered favorably reported without objection the legislation, as amended, in the form of an original bill.

### EXPLANATION OF THE PROVISIONS OF THE BILL

*Export Administration Activities*

Section 1 of the bill authorizes appropriations for the export administration operations of the Department of Commerce in the amount of $35,935,000, as requested by the President. An amendment was offered in Committee by Senator Heinz to change the figure in S. 2076, which was originally $37,935,000, to an amount conforming to the President's request (which was received by the Committee subsequent to introduction of S. 2076). The amendment was adopted without objection.

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In providing authorization of appropriations for export administration activities of the Department of Commerce the Committee refrained from making further amendments to the Export Administration Act of 1979, inasmuch as that act was extensively amended with the enactment last year of the Export Administration Amendments Act of 1985 (Pub. L. 99-64).

The Committee notes that Secretary Baldrige, in his testimony, affirmed that the amounts requested by the President for export administration activities would be adequate to provide for the Under Secretary of Commerce for Export Administration and the additional Assistant Secretaries of Commerce mandated in the 1985 amendments. The Committee is reassured by Secretary Baldrige's pledge to the Committee to complete this year the necessary restructuring involved. Secretary Baldrige and others in the administration are to be commended for their diligent efforts to carry out the provisions of the Export Administration Act as amended. The billions of dollars that are saved in defense costs because of an effective export control system are particularly important at a time when there is a great need to hold down the costs of the Government.

The administration has attached a high priority to effective export controls. The adoption of the 1985 amendments and the funding authorized in this legislation demonstrate that Congress shares this view.

*Export promotion activities*

Section 2 of the bill authorizes appropriations for the export promotion activities of the Department of Commerce in the amount of $123,922,000, as requested by the President. As trade deficits continue at record levels the Committee stresses the need for an active and aggressive export promotion operation so that the maximum mutual benefits of international trade can be realized.

The Committee also noted the February 1986 report by the General Accounting Office [GAO] entitled "Export Promotion: Activities of the Commerce Department's District Offices." That report reviewed the mission, activities, and effectiveness of the Department of Commerce's 47 district offices, which are the domestic operations component of the United States and Foreign Commercial Service [U.S. & F.C.S.].

The stated mission of the district offices is to promote exports with particular emphasis on assisting small- and medium-sized firms to develop their export potential by providing them with information and advice to help them begin exporting, or if already exporting, to enter new markets. District office personnel are expected to seek out and individually counsel firms about their export potential and about Commerce Department services that can help them export. The district offices also heighten export awareness in the business community by sponsoring or participating in export seminars and working with State and private export promotion organizations. District offices also respond to business requests for export information and advice and in recent years have devoted an increasing portion of resources to assist businesses comply with export control regulations.

The U.S. & F.C.S. gauges the success of its district office operations by estimating new exports that take place as a result of its activities. In fiscal year 1984 the U.S. & F.C.S. reported that $1.14 billion in new exports resulted from district office export promotion efforts.

The GAO report found that district offices were not as effective in influencing business to begin to export or to enter new markets as their reported accomplishments suggested. It made recommendations for improving the accuracy of district office reporting. The Commerce Department acknowledged the validity of the GAO critique and has made changes to improve its criteria and controls for measuring district office successes. The GAO has reviewed the revised criteria and controls and believes they will help improve the performance of district offices. The Commerce Department has also agreed to implement the GAO recommendation that the Director General of the U.S. & F.C.S. periodically survey firms to determine the value of district office counseling services and how they might be improved.

The Committee commends the Commerce Department for its positive reaction to the GAO critiques of the performance of its district offices. The Committee will continue to monitor closely the effectiveness of that Department's trade promotion and counseling activities, with particular interest in the grassroots reach out programs of district offices and also their competence in advising about export control regulations.

*Other matters*

In hearings before the Committee, members noted the increasing use of emergency powers by the President under provisions of the International Emergency Economic Powers Act. The Committee is concerned over the stretching of the definition of "national emergency" in attempts to avoid using provisions of the Export Administration Act and the safeguards provided in that act or to compensate for the President's lack of certain nonemergency authorities. The Committee intends to follow this situation closely.

## BUDGETARY IMPACT

### Analysis of Title I

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
*Washington, DC, March 21, 1986.*

Hon. JAKE GARN,
*Chairman, Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Dirksen Senate Office Building, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for S. 2076, a bill to authorize appropriations to carry out the Export Administration Act of 1979 and export promotion activities.

If you wish further details on this estimate, we will be pleased to provide them.

With best wishes,

Sincerely,

RUDOLPH G. PENNER, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: S. 2076.

2. Bill title: A bill to authorize appropriations to carry out the Export Administration Act of 1979 and export promotion activities.

3. Bill status: As ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs, March 13, 1986.

4. Bill purpose: S. 2076 authorizes the appropriation of $35.9 million in each of the fiscal years 1987 and 1988 for the export administration activities of the International Trade Administration [ITA] of the Department of Commerce. The bill stipulates that $12.7 million of this authorization each year would be available solely for enforcement activities. The bill also authorizes such amounts as may be necessary in each of the fiscal years 1987 and 1988 for adjustments in salary, pay, retirement, and other employee benefits authorized by law. Finally, S. 2076 authorizes the appropriation of $123.9 million in each of the fiscal years 1987 and 1988 for the export promotion activities of the ITA.

Fiscal year 1986 appropriations to date for the export administration activities of ITA are $30.7 million. To date, fiscal year 1986 appropriations for ITA export promotion activities total $137.8 million. These 1986 amounts reflect reductions required by the Balanced Budget and Emergency Deficit Control Act of 1985. The President is requesting $35.9 million in fiscal year 1987 for the export administration activities and $123.9 million for export promotion.

5. Estimated cost of the Federal Government:

[By fiscal years, in millions of dollars]

| | 1987 | 1988 | 1989 | 1990 | 1991 |
|---|---|---|---|---|---|
| Authorization level: | | | | | |
| Specified (function 370) | 159.8 | 159.8 | | | |
| Estimated (function 920) | 3.2 | 5.7 | | | |
| Total authorization | 163.0 | 165.5 | | | |
| Estimated outlays: | | | | | |
| Specified (function 370) | 112.7 | 144.2 | 47.2 | 15.7 | |
| Estimated (function 920) | 2.3 | 4.6 | 1.4 | 0.6 | |
| Total outlays | 115.0 | 148.8 | 48.6 | 16.3 | |

The costs of this bill fall within budget functions 370 and 920.

*Basis of estimate.*—For purposes of this estimate, it is assumed that amounts authorized in the bill will be appropriated prior to the beginning of each fiscal year. Outlays reflect historical spending patterns. The estimated costs for pay increases reflect the CBO baseline assumptions for such increase—3.3 percent in 1987 and 5.8 percent in 1988.

6. Estimated cost to State and local governments: None.
7. Estimate comparison: None.
8. Previous CBO estimate: None.
9. Estimate prepared by: Theresa Gullo.
10. Estimate approved by: C.G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

## REGULATORY IMPACT

Pursuant to Rule XXVI, paragraph 11(b), of the rules of the Senate, the Committee has evaluated the regulatory impact of the bill and concludes that it would have no impact on the regulatory burden of the Government.

## CHANGES IN EXISTING LAW

The Committee has determined that it is necessary, in order to expedite the business of the Senate, to dispense with the requirements of Rule XXVI, paragraph 12, of the rules of the Senate, with respect to this legislation.

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